

Consolidated Financial Statements

for the Nine Months Ended December 31, 2010

January 31, 2011

Listed Company Name: Alpine Electronics, Inc.
 Security Code: 6816 (First Section, Tokyo Stock Exchange) URL: <http://www.alpine.com/>
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 Expected Date for Submission of Quarterly Report: February 9, 2010
 Expected Date for Commencement of Dividend Payout: —
 Materials Prepared to Supplement the Consolidated Financial Statements: No
 Quarterly Presentation of Business Results Meeting Held: No

Amounts less than one million yen have been omitted; percentages represent increases from the corresponding period of the previous year.

1. Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2011 (April 1, 2010, to December 31, 2010)

(1) Operating Results (Consolidated) (Millions of yen unless otherwise stated)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
	Amount	YoY Change (%)	Amount	YoY Change (%)	Amount	YoY Change (%)	Amount	YoY Change (%)
Nine Months Ended December 31, 2010	147,397	22.3%	9,783	—	8,841	—	6,567	—
Nine Months Ended December 31, 2009	120,474	(26.7%)	(3,154)	—	(2,349)	—	(4,520)	—

	Net Income (Loss) per Share (Yen)	Fully Diluted Net Income per Share (Yen)
	Nine Months Ended December 31, 2010	94.14
Nine Months Ended December 31, 2009	(64.80)	—

(2) Financial Position (Consolidated)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
	December 31, 2010	157,149	98,538	62.2
March 31, 2010	153,428	97,035	62.7	1,379.61

[Reference] Shareholders' equity
 Nine months ended December 31, 2010: ¥97,774 million
 Fiscal year ended March 31, 2010: ¥96,248 million

2. Dividends

Date of Record	Dividends per Share (Yen)				
	End of First Quarter	End of Second Quarter	End of Third Quarter	End of Fiscal Year	Full Fiscal Year
Fiscal Year Ended March 31, 2010	—	0.00	—	0.00	0.00
Fiscal Year Ending March 31, 2011	—	10.00	—		
Fiscal Year Ending March 31, 2011 (Forecast)				10.00	20.00

(Note) Changes in dividend forecasts during the quarter under review: None

3. Projections for Fiscal Year Ending March 31, 2011 (April 1, 2010, to March 31, 2011)

Percentages represent increases from the corresponding period of the previous year.

(Millions of yen, unless otherwise stated)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
	Amount	YoY Change (%)	Amount	YoY Change (%)	Amount	YoY Change (%)	Amount	YoY Change (%)	Amount
Fiscal Year Ending March 31, 2011	195,000	15.7%	10,000	—	9,000	—	7,000	—	100.34

(Note) Changes in projections during the quarter under review: None

4. Consolidated Business Results

(1) Qualitative Information Regarding Consolidated Business Results

During the first nine months of the fiscal year ending March 31, 2011, the world economy continued on its unpredictable course, amid fears over the prospects of a double-dip recession. Although some economic indicators improved, overall conditions were severe, marked by the resurgence of financial instability in Europe and lingering economic uncertainty in the United States.

The automobile industry benefitted from a modest recovery in new vehicle sales, as evidenced in the relisting of General Motors on the New York Stock Exchange. Nevertheless, China, spurred by ongoing economic growth, maintained its pole position in the industry in terms of unit sales of new cars for the second consecutive year. The industry in Europe was buoyed by robust exports by German manufacturers of luxury cars. In Japan, sales of new cars dropped in the wake of the termination of government subsidies for purchases of environment-friendly cars. Furthermore, automakers successively launched their own hybrid and electric models and took other initiatives that accelerated the pace of the development race for next-generation vehicles in response to global CO2 emission reduction pressures.

The car electronics industry suffered reduced demand in Japan, as demand for car electronics shifted toward last-minute purchases to capitalize on the eco-point system for home electric appliances. However, the United States Department of Transportation's announcement of a proposed bill to make rear-mounted cameras with video display mandatory in September 2014 raised expectations for market expansion arising from higher factory installation rates for car-mounted cameras and display products.

In this environment, Alpine continued to focus on the domestic market, aiming to boost sales of navigation systems by expanding the scope of the "perfect fit" series tailored specifically to individual car models. Despite the continuation of tight supply and demand for automotive display panels and other hostile factors, Alpine lowered its break-even point by maintaining its drive to fortify its corporate constitution through structural reforms instigated during the previous fiscal year.

As a result of these efforts, during the nine-month period ended December 31, 2010, consolidated net sales rose 22.3% compared with the corresponding period of the preceding fiscal year, to ¥147.3 billion. Operating income amounted to ¥9.7 billion, compared with a ¥3.1 billion operating loss in the first nine months of the previous year, and ordinary income was ¥8.8 billion, compared with a ¥2.3 billion ordinary loss. The Company reported net income of ¥6.5 billion, compared with a net loss of ¥4.5 billion in the first three quarters of the preceding fiscal year.

Audio Products Segment

In the Audio Products segment, domestic sales were affected by a sluggish market for CD players and other simple audio products and trends toward products integrating visual and navigation systems. However, healthy performance by high-quality audio speakers helped sustain sales at their current levels. Further, sales declined in the North American market, as severe price competition hindered sales of dedicated iPod head units and other products that differentiate Alpine from its rivals, although sales of affordably priced CD players and high-quality audio speakers were steady. Christmas marketing promotions ensured buoyant sales in the European market, offsetting sales declines for CD players. OEM products for automobile manufacturers were supported by recovery in production and sales of new automobiles by major customers in Europe and the United States, boosted by robust demand in the Chinese market.

As a result of the above factors, segment sales eased 0.2% compared with the first nine months of the preceding fiscal year, to ¥51.3 billion.

Information and Communication Equipment Segment

In this segment, Alpine expanded the number of vehicle types targeted by the "perfect fit" series, which is attractively fitted to individual car models, from 11 to 27 in the domestic after-market and boosted sales of the "Big X" navigation system, which boasts an 8-inch screen—the largest on the market. In addition, we ran a series of television commercials to stimulate consumer purchasing and bolster product sales. However, sales contracted during the quarter under review, impacted by diminishing new car sales in Japan resulting from the termination of government subsidies for purchases of environment-friendly cars.

Price revisions for affordably priced navigation systems, which are enjoying increasing acclaim for their functionality, spurred sales in the North American market. Further, sales of affordably priced navigation systems expanded in Europe, despite a falloff in sales of integrated visual and car navigation products attributable to intensified competition.

Sales of OEM products for automobile manufacturers advanced on the back of an increase in sales of display products, for which factory installation rates are on the rise; recovery in production and sales in North America of large and high-end vehicles, which have greater installation rates for navigation systems and other highly functional integrated products; and favorable new car sales by European manufacturers in the Chinese market.

As a result of these factors, segment sales climbed 39.2% compared with the first nine months of the preceding fiscal year, to ¥96.0 billion.

5. Qualitative Information Regarding Consolidated Financial Position

1) Assets, liabilities and net assets

Total assets stood at ¥157.1 billion as of December 31, 2010, up ¥3.7 billion from the level of March 31, 2010, and net assets came to ¥98.5 billion, up ¥1.5 billion. As a result, the equity ratio was 62.2%. Primarily responsible was growth of ¥8.6 billion in current assets. Although cash and deposits decreased ¥1.5 billion and notes and accounts receivable–trade fell ¥2.2 billion, investment securities rose ¥3.1 billion and inventory assets expanded ¥7.4 billion. Total noncurrent assets were down ¥4.9 billion, stemming from declines of ¥2.8 billion in property, plant and equipment, ¥0.7 billion in intangible assets, and ¥0.7 billion in investments and other assets.

Total current liabilities were up ¥1.7 billion, largely attributable to rises of ¥0.2 billion in short-term loans payable, ¥0.6 billion in accrued expenses, ¥0.6 billion in income taxes payable, while the provision for bonuses fell ¥0.3 billion.

Noncurrent liabilities rose ¥0.4 billion, led by a ¥0.7 billion increase in other noncurrent liabilities.

2) Consolidated Cash Flows

Cash and cash equivalents at December 31, 2010, were ¥37.7 billion, down ¥2.1 billion, or 5.3%, from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥10.2 billion. Major sources of cash included income before income taxes and minority interests of ¥8.8 billion, depreciation and amortization of ¥5.2 billion and a ¥4.1 billion increase in notes and accounts payable–trade. The main use of cash was a ¥9.3 billion increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was ¥9.9 billion. The principal uses of cash were ¥3.0 billion for the purchase of securities, ¥2.3 billion for the purchase of property, plant and equipment, ¥1.0 billion for the purchase of intangible assets and ¥3.4 billion for the payment of loans.

(Cash flows from financing activities)

Net cash used in financing activities was ¥0.4 billion. The main use of cash was an increase of ¥0.2 billion in short-term loans payable and cash dividends paid of ¥0.6 billion.

Owing to these factors, the Company's free cash flows for the term amounted to ¥0.2 billion. Free cash flows are the sum of cash flows from operating activities and cash flows from investing activities.

3) Qualitative Information Regarding Consolidated Performance Forecasts

At present, we maintain unchanged our projections, given below, for the fiscal year ending March 31, 2011, as stated in the consolidated financial statements for the six months ended September 30, 2010.

Furthermore, assumed exchange rates for the second half are taken as US\$1= ¥80 and €1= ¥110.

(Millions of yen unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)	Net Income (Loss) per Share (Yen)
Previously announced forecast	195,000	10,000	9,000	7,000	100.34
Performance for the fiscal year ended March 31, 2010	168,586	226	807	(1,249)	(17.92)
Change (%)	15.7	—	—	—	—

6. Consolidated Quarterly Financial Statements (Summary)

1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	December 31, 2010	March 31, 2010
ASSETS		
Current assets		
Cash and deposits	38,617	40,199
Notes and accounts receivable–trade	26,016	28,290
Marketable securities	3,151	—
Merchandise and finished goods	17,238	12,832
Work in process	1,463	670
Raw materials and supplies	6,481	4,245
Deferred tax assets	1,307	1,545
Other	10,822	8,750
Allowance for doubtful accounts	(233)	(350)
Total current assets	104,864	96,184
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures	23,521	23,320
Accumulated depreciation	(14,160)	(13,956)
Buildings and structures, net	9,361	9,363
Machinery, equipment and vehicles	15,774	17,253
Accumulated depreciation	(10,943)	(11,275)
Machinery, equipment and vehicles, net	4,830	5,977
Tools, furniture, fixtures and dies	48,853	48,692
Accumulated depreciation	(45,065)	(44,129)
Tools, furniture, fixtures and dies, net	3,788	4,563
Land	4,820	4,997
Lease assets	322	385
Accumulated depreciation	(215)	(250)
Lease assets, net	107	135
Construction in progress	79	837
Total property, plant and equipment	22,987	25,874
Intangible assets	4,875	5,672
Investments and other assets		
Investment securities	21,274	22,011
Deferred tax assets	425	463
Other	2,732	3,234
Allowance for doubtful accounts	(13)	(13)
Total investments and other assets	24,420	25,696
Total noncurrent assets	52,284	57,243
Total assets	157,149	153,428

(Millions of yen)

December 31, 2010

March 31, 2010

LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	23,109	22,923
Short-term loans payable	296	42
Income taxes payable	1,251	601
Accrued expenses	8,243	7,629
Deferred tax liabilities	18	–
Provision for bonuses	1,103	1,415
Provision for directors' bonuses	40	–
Provision for product warranties	4,087	3,916
Other	2,918	2,777
Total current liabilities	41,069	39,305
Noncurrent liabilities		
Long-term loans payable	10,001	10,001
Deferred tax liabilities	4,723	4,953
Provision for retirement benefits	682	658
Provision for directors' retirement benefits	594	642
Other	1,538	831
Total noncurrent liabilities	17,540	17,087
Total liabilities	58,610	56,393
NET ASSETS		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,905	24,905
Retained earnings	52,334	46,549
Treasury stock	(27)	(28)
Total shareholders' equity	103,133	97,347
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,048	5,260
Revaluation reserve for land	(1,310)	(1,394)
Foreign currency translation adjustment	(9,096)	(4,964)
Total valuation and translation adjustments	(5,358)	(1,098)
Minority interests	763	786
Total net assets	98,538	97,035
Total liabilities and net assets	157,149	153,428

2) Consolidated Quarterly Statements of Income

(Millions of yen)

	Nine Months Ended December 31, 2009	Nine Months Ended December 31, 2010
Net sales	120,474	147,397
Cost of sales	103,362	114,636
Gross profit	17,111	32,761
Selling, general and administrative expenses	20,266	22,977
Operating income (loss)	(3,154)	9,783
Non-operating income		
Interest income	98	115
Dividend income	182	204
Equity in earnings of affiliates	833	549
Other	247	231
Total non-operating income	1,361	1,100
Non-operating expenses		
Interest expenses	93	150
Foreign exchange losses	134	1,373
Sales discounts	107	85
Commission fees	—	164
Other	220	268
Total non-operating expenses	556	2,042
Ordinary income (loss)	(2,349)	8,841
Extraordinary income		
Gain on sales of investment securities	86	48
Gain on exchange of land use rights	226	—
Reversal of allowance for doubtful accounts	348	95
Gain on valuation of options	—	102
Other	2	—
Total extraordinary income	664	245
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	84	42
Loss on valuation of investment securities	0	2
Loss on settlement and valuation of options	138	—
	—	124
Provision for product warranties in prior periods	294	50
License fee on prior periods	295	—
Other	480	2
Total extraordinary losses	1,295	222
Income (loss) before income taxes and minority interests	(2,980)	8,865
Income taxes—current	1,293	1,958
Income taxes—deferred	275	307
Total income taxes	1,568	2,265
Income before minority interests	—	6,599
Minority interests in income (loss)	(28)	31
Net income (loss)	(4,520)	6,567

3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Nine Months Ended December 31, 2009	Nine Months Ended December 31, 2010
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(2,980)	8,865
Depreciation and amortization	6,362	5,238
Decrease (increase) in notes and accounts receivable–trade	(5,076)	(138)
Increase in inventories	(1,494)	(9,351)
Increase (decrease) in notes and accounts payable–trade	4,342	4,186
Other, net	(2,094)	2,121
Subtotal	(940)	10,921
Interest and dividends income received	279	706
Interest expenses paid	(51)	(155)
Income taxes paid	(845)	(1,349)
Income taxes refund	325	78
Net cash provided by (used in) financing activities	(1,233)	10,202
Net cash used in investing activities		
Purchase of investment securities	—	(3,000)
Purchase of property, plant and equipment	(2,312)	(2,321)
Proceeds from sales of property, plant and equipment	184	217
Purchase of intangible assets	(948)	(1,015)
Purchase of investment securities	(47)	(3)
Payments of loans receivable	(1,501)	(3,450)
Collection of loans receivable	1,311	20
Other, net	261	(439)
Net cash used in investing activities	(3,051)	(9,992)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,037)	274
Proceeds from long-term loans payable	10,002	—
Cash dividends paid	(1)	(695)
Cash dividends paid to minority shareholders	(163)	—
Proceeds from stock issuance to minority shareholders	42	—
Other, net	(90)	(70)
Net cash provided by (used in) financing activities	8,752	(492)
Effect of exchange rate changes on cash and cash equivalents	(207)	(1,828)
Net increase (decrease) in cash and cash equivalents	4,260	(2,110)
Cash and cash equivalents at beginning of period	26,141	39,844
Cash and cash equivalents at end of period	30,401	37,733

7. Supplementary Information

1) Production, Orders Received and Sales

(1) Production

Production for the first nine months of the fiscal year by business segment was as follows.

(Millions of yen)

Business Segment	Nine Months Ended December 31, 2009 (April 1, 2009, to December 31, 2009)	Nine Months Ended December 31, 2010 (April 1, 2010, to December 31, 2010)	Change (%)
	Production	Production	
Audio Products	42,613	41,199	(3.3)
Information and Communication Equipment	58,652	88,384	50.7
Total	101,266	129,583	28

Notes:

1. Stated amounts are calculated based on sales prices.
2. Consumption tax is not included in the above-stated amounts.

(2) Orders received and order balance

Orders received for the first nine months by business segment were as follows.

(Millions of yen)

Business Segment	Nine Months Ended December 31, 2009 (April 1, 2009, to December 31, 2009)	Nine Months Ended December 31, 2010 (April 1, 2010, to December 31, 2010)	Change (%)
	Orders Received	Orders Received	
Audio Products	53,157	49,577	(6.7)
Information and Communication Equipment	70,579	96,046	36.1
Total	123,737	145,624	17.7

The order balance for the first nine months by business segment was as follows.

(Millions of yen)

Business Segment	Nine Months Ended December 31, 2009 (April 1, 2009, to December 31, 2009)	Nine Months Ended December 31, 2010 (April 1, 2010, to December 31, 2010)	Change (%)
	Order Balance	Order Balance	
Audio Products	8,333	7,100	(14.8)
Information and Communication Equipment	13,829	15,894	14.9
Total	22,163	22,995	3.8

Note: Consumption tax is not included in the above-stated amounts.

(3) Sales

Sales for the first nine months by business segment were as follows.

(Millions of yen)

Business Segment	Nine Months Ended December 31, 2009 (April 1, 2009, to December 31, 2009)	Nine Months Ended December 31, 2010 (April 1, 2010, to December 31, 2010)	Change (%)
	Sales	Sales	
Audio Products	51,454	51,344	(0.2)
Information and Communication Equipment	69,019	96,052	39.2
Total	120,474	147,397	22.3

Note: Consumption tax is not included in the above-stated amounts.